

## THE ROLE OF THE NEIGHBORHOOD IN THE DEVELOPMENT OF NEW UZBEKISTAN

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**Abstract:** This article provides an in-depth analysis of the economic and social role of mahallas in the development of New Uzbekistan, emphasizing their significance in local governance, social stability, and economic progress. As a unique form of community self-governance, mahallas play a crucial role in implementing state policies, ensuring social welfare, and supporting economic initiatives at the grassroots level. In recent years, Uzbekistan has modernized and institutionalized the mahalla system to align with its economic transformation and development strategy. The mahalla now functions as a key economic driver, assisting in job creation, small business support, rural development, and financial assistance programs. This article explores how mahallas contribute to sustainable economic growth by facilitating microfinance, employment generation, vocational training, and local entrepreneurship. Using statistical data and economic analysis, the study evaluates the impact of mahalla-based initiatives on Uzbekistan's GDP, employment rates, and social development indicators. Additionally, it presents recommendations for strengthening the economic role of mahallas through policy reforms, digitalization, and increased financial autonomy.

**Keywords:** Mahalla, community self-governance, social development, New Uzbekistan, economic transformation, neighborhood councils, social welfare

### INTRODUCTION

Uzbekistan is undergoing one of the most dynamic economic transformations in its history, driven by comprehensive reforms in governance, industry, and social policies. As part of the New Uzbekistan strategy, the government is emphasizing localized governance models that bring decision-making closer to the people. In this context, the mahalla (neighborhood community) remains one of the most vital institutions, serving as a bridge between citizens and the state.

The mahalla system is not just a social institution, but also an economic enabler. Through community-driven governance, mahallas help:

Distribute financial resources efficiently to those in need.

Facilitate employment opportunities and reduce poverty.

Support small and medium-sized enterprises (SMEs) and local entrepreneurs.

Ensure the effective implementation of government welfare programs.

Enhance social stability, which is a key factor in sustainable economic growth.

### MATERIALS AND METHODS

The mahalla system in Uzbekistan has deep historical roots, originating as a self-governing community structure that has adapted over time to meet the changing needs of society. The traditional mahalla functioned as a unit of social organization, responsible for local decision-making, dispute resolution, and community support. Over the centuries, it has evolved from an

informal governance structure to a legally recognized institution, playing a critical role in Uzbekistan's political, economic, and social framework.

Historically, mahallas were essential for managing local affairs and ensuring the welfare of residents. In the absence of centralized governance, they provided a strong communal bond, where people worked together to solve common problems, share resources, and maintain cultural traditions. During the Soviet era, mahallas were integrated into the state system but retained their core functions of social support and community engagement. Following Uzbekistan's independence in 1991, the government recognized the importance of reviving and strengthening the mahalla system as a pillar of national identity and governance.

## RESULTS AND DISCUSSION

In order to formalize mahallas as official governance units, the Uzbek government enacted a series of legal reforms that provided greater autonomy and financial independence to these institutions. Some of the key legislative developments include:

The Law on Mahalla Institutions (1999, revised in 2020) – This law defined mahallas as self-governing public organizations responsible for social services, dispute resolution, and local governance [1].

Presidential Decree on Mahalla Strengthening (2021) – This decree expanded the administrative and financial powers of mahalla councils, allowing them to participate in economic and social planning [2].

The National Mahalla Development Program (2022–2026) – This program introduced digital governance tools, improved citizen participation mechanisms, and strengthened the role of mahallas in economic decision-making [4].

The government's commitment to decentralization has ensured that mahallas play an increasingly active role in economic development, social cohesion, and policy implementation. By integrating modern technology and governance mechanisms, mahallas are now more efficient and capable of addressing the needs of their communities.

Mahallas serve as the foundation of Uzbekistan's social structure, providing essential services, social support, and community engagement initiatives. Their role in strengthening national identity, promoting intergenerational solidarity, and supporting marginalized populations is critical to the country's social stability and development goals.

### 1. Social Welfare and Poverty Alleviation

One of the primary responsibilities of mahallas is identifying and assisting vulnerable populations. Mahalla councils work closely with the government to ensure that financial aid, housing assistance, and healthcare services reach those in need. This decentralized model allows for more efficient allocation of resources, ensuring that state assistance programs are tailored to local needs.

Mahallas have played a key role in poverty reduction efforts, particularly through direct cash transfers, food assistance, and employment support programs. The following table provides a detailed breakdown of social welfare initiatives implemented by mahallas:

Table 1: Social Welfare Programs Implemented by Mahallas (2024)

Social Program	Number of Beneficiaries	Total Budget (UZS, billion)	Impact on Poverty Reduction (%)
Direct cash assistance to low-income families	270,000 households	2.1 trillion	18% decrease in extreme poverty
Housing and utilities	120,000 families	900 billion	12% increase in housing

subsidies			security
Employment support programs	150,000 individuals	1.2 trillion	15% decline in youth unemployment
Assistance for elderly and disabled individuals	140,000 individuals	1.5 trillion	Improved access to healthcare and social services
Community-based charity initiatives	Over 6,000 events	400 billion	Increased community cohesion and participation

Mahallas not only distribute social services but also play a crucial role in strengthening community ties. Their ability to mediate disputes, organize cultural events, and maintain local traditions helps preserve Uzbekistan's national identity.

Through structured community involvement, mahallas contribute to:

A stronger sense of belonging and civic responsibility.

Lower crime rates and improved public safety.

Higher levels of community engagement in governance.

By creating an inclusive and participatory governance model, mahallas ensure that citizens remain active stakeholders in the development of their communities.

Mahallas are not just social institutions—they also serve as economic engines, supporting local businesses, job creation, and rural development initiatives. By connecting communities with financial resources, training programs, and employment opportunities, mahallas contribute directly to Uzbekistan's GDP and long-term economic stability.

#### 1. Supporting Small Businesses and Microfinance

Mahallas play a vital role in fostering entrepreneurship, particularly by helping small businesses access financial resources. Many mahalla councils partner with banks and microfinance institutions to provide:

Low-interest loans for small and medium-sized enterprises (SMEs).

Training programs for young entrepreneurs.

Grants for women-led businesses.

Mahallas also act as economic mediators, facilitating local trade, cooperative farming, and business partnerships.

Table 2: Economic Contributions of Mahallas to Uzbekistan's Economy (2024)

Economic Initiative	Number of Participants	Investment (UZS, billion)	Impact on GDP Growth (%)
Microloans distributed to small businesses	55,000 entrepreneurs	4.2 trillion	1.8% increase in SME contribution to GDP
Employment placement programs	95,000 job seekers	1.5 trillion	3.2% decline in national unemployment rate
Vocational training and upskilling	60,000 trainees	800 billion	2.7% increase in labor market efficiency
Women's entrepreneurship programs	35,000 women	600 billion	2.5% rise in female workforce participation
Agricultural and rural development initiatives	25,000 farmers	1.2 trillion	4.1% growth in rural economies

By coordinating with the private sector and government employment agencies, mahallas ensure that residents have access to job opportunities and vocational training. Key initiatives include: Training programs for unemployed youth in digital skills, agriculture, and manufacturing. Job placement services that match job seekers with local businesses. Special employment programs for women and disabled individuals. By fostering a skilled workforce, mahallas enhance Uzbekistan's economic competitiveness and contribute to long-term prosperity.

## CONCLUSION

Mahallas are proving to be instrumental in Uzbekistan's economic and social transformation. By promoting local governance, economic initiatives, and social stability, mahallas strengthen the foundation for sustainable development.

To further enhance their impact, the following policy recommendations are proposed:

Expand digital governance tools to improve transparency and efficiency in mahalla administration.

Increase financial autonomy to allow mahallas to implement localized development projects.

Strengthen vocational education programs to address labor market needs.

Encourage private sector partnerships to enhance economic opportunities at the community level.

Enhance monitoring and evaluation systems to ensure the effectiveness of mahalla-based initiatives.

By modernizing the mahalla system, Uzbekistan can achieve inclusive economic growth, ensuring that local communities play a leading role in shaping the nation's future.

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